

## THE RESULT OF BEST TRADING OPTION BY CORE INDICATORS OF INTRA-DAY TRADING DECISION – A CORRESPONDENCE ANALYSIS

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### ABSTRACT

The investing world can be an extremely complicated place, full of complex ideas, unique and convoluted jargon and enough advanced metrics to give anyone a headache. It would take an intellectual genius to understand everything happening on Stock Market. This research paper analysis the inventors' opinion over their choice of doing intra-day trading is best for them to take return or not was decided by the core variables such as, selecting stock support, investors emotional stability and trading with very few identified stocks only.

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### INTRODUCTION

Role of Stock Exchanges are varied and highly important in the development of economy of a country. They measure and control the growth of a country. Stock markets are the places, where exactly investor's do business of buying and selling stocks as their wishes. Stock trading transactions are executed at the stock exchanges through recognized broker, unless investors have a membership with that exchange, which enable him/her to trade directly. Stock exchange apart from being hub of primary and secondary market, they have very important role to play in the economy of the country. The stock market is important from both the industry's point of view as well as the investor's point of view. A Day Trade consists of two off-setting transactions which occurred in the same security on the same day. The order of these transactions must be opening followed by closing. This sequence must be maintained to meet the definition of a Day Trade.

#### 1.1 Objective

The primary objective of this paper to analysis the inventors' opinion over their choice of doing intra-day trading is best to take return or not was decided by the core

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variables such as, selecting stock support, investors emotional stability and trading with very few identified stocks

## METHODOLOGY

In order to investigate the basic objectives of this study, the researcher has indented to employ the descriptive research method. In this study the researcher has wished to apply the primary data. The questionnaire survey technique has proposed to collect data. The researcher in his research study like to apply the random sampling method to select the sample respondents of 150 intra-day traders in the study area of Tiruchirappalli district. the collected data was analyzed with help of statistical software SPSS 18 was used to find out the correlation between this factors.

### 2.1 Method of Quantitative Analysis

The correspondence analysis of inventors' opinion over their choice of doing intra-day trading is best to take return or not was decided by the core variables such as, selecting stock support, investors emotional stability and trading with very few identified stocks only. The analysis was done in a three stages. In the first stage a cross table analyses were done and compare the result with non-parametric tool of Chi-square. If there is a significant relation between two indicators, further correspondence analyses were done to know the gap within the group of the indicators. More over in the third stage of analyses was done to exact the probability of the relationship and gap within the group by using Fisher's index method.

#### 2.1.1 Contingency Analysis of Intra-Day Trading is the Best Trading Option to Take Return by Selecting Stock Support

**Table – 1:** *Contingency Table Intra Day Trading is the Best Trading Option to Take Return by Selecting Stock Support*

Count, Total %, Col %, Row %	Yes	No	Total
<b>Liquidity of the Stock</b>	62.00 13.45 23.22 <b>62.00</b>	38.00 8.24 19.59 <b>38.00</b>	100.00 21.69
<b>Level of Volatility</b>	100.00 21.69 37.45 <b>56.82</b>	76.00 16.49 39.18 <b>43.18</b>	176.00 38.18
<b>Group Prediction</b>	105.00 <b>22.78</b> 39.33 <b>56.76</b>	80.00 17.35 41.24 <b>43.24</b>	185.00 40.13
<b>Total</b>	<b>267.00</b> <b>57.92</b>	<b>194.00</b> <b>42.08</b>	<b>461.00</b>

The cross table shows the investors opinion over their intra-day trading is their best option for taking return by the variable of Selecting Stock based upon liquidity, Medium volatility and Group followers in intra-day trading. It is clear from the table that is out 461 sample respondent of the study, 62.00 percent of respondent who are give more importance

for liquidity of the stock are agreed that success of intra-day trading is best for taking return. The cross table also indicate that 43.18 percent of investors who are give importance on the level of volatility of the stock were not agreed that the intra-day trading is the best option for taking return. It is also clear from the above table that is among the row total, 22.78 percent of investors who give importance for the group prediction are agreed that they want to book a right return for all their stock.

**Table – 2: Result of Chi-square Test**

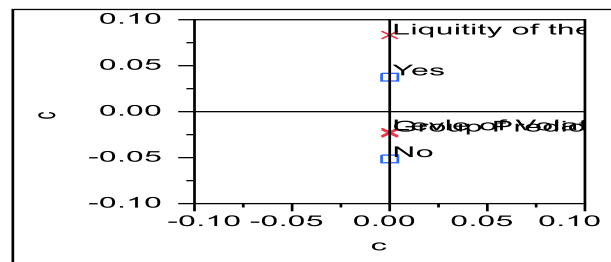
Test	ChiSquare	Prob>ChiSq	LogLike	RSquare (U)
Likelihood Ratio	0.880	0.6441	0.43991975	0.0014
Pearson	0.873	0.6462	Df 2, N 461	

A chi-square test is used to examine the association between two categorical variables namely; Intra-Day Trading is the Best Trading option to take return (with a classification of Yes or No) By the three level classification of investors highly considered criteria for picking stock in intra-day trading (liquidity, Medium volatility and Group followers). Looking at row labeled Chi-Square, it is found that the chi-square test statistic value to be 0.880 and the associated p-value is 0.6441. it is concluded that since the alpha level is above 0.05, then it would conclude that there is a statistically insignificant difference between the respondent who opinion that intra-day trading is best/not best with related to their three levels of Criteria consider for buying any stock such as liquidity, Medium volatility and Group followers.

**Table – 3: Result of Correspondence Analysis**

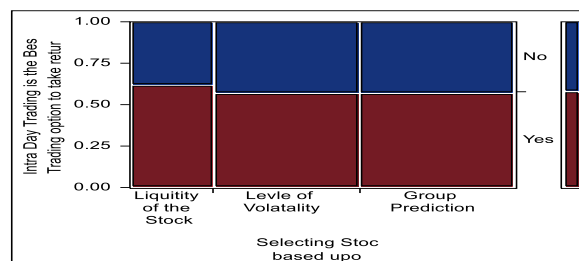
Selecting Stock based upon			c1
Liquidity of the Stock			0.0827
Level of Volatility			-0.0223
Group Prediction			-0.0235
Intra Day Trading is the Best Trading option to take return			c1
Yes			0.0371
No			-0.0511
Singular Value	Inertia	Portion	Cumulative
0.04353	0.00189	1.0000	1.0000

The result of correspondence analysis reflects that dependency of the two different opinions of investors over the success of intra-day trading on their three level of Criteria consider by most for buying in any stock. It is clear that the investors who are highly considered the liquidity of the stock has positive indexes and more or less this would reflect the investors satisfaction over their intra-day trading. However, the investors who are consider the level of volatility and give importance for group prediction were negatively associate with un-satisfaction over the intra-day trading.

**Diagram – 1:** Correspondence Analysis Intra-Day Trading is the Best Trading Option to Take Return by Selecting Stock Support

✗ Selecting Stock based upon

□ Intra Day Trading is the Best Trading option to take return

**Diagram – 2:** Mosaic Plot Intra-Day Trading is the Best Trading Option to Take Return by Selecting Stock Support

### 2.1.2 Contingency Analysis of Intra-Day Trading is the Best Trading Option to Take Return by Emotional Stability is Important for Intra-Day Trading

**Table – 4:** Contingency Table for Intra-Day Trading is the Best Trading Option to Take Return by Emotional Stability is Important for Intra-Day Trading

Count, Total %, Col %, Row %	Yes	No	Total
<b>Yes</b>	183.00 39.70 68.54 62.46	110.00 23.86 56.70 37.54	293.00 63.56
<b>No</b>	84.00 18.22 31.46 50.00	84.00 18.22 43.30 50.00	168.00 36.44
<b>Total</b>	267.00 57.92	194.00 42.08	461.00

The cross table shows the investors opinion over their intra-day trading is their best option for taking return by the variable of investors emotional stability is importance for doing in intra-day trading (Yes/No). It is clear from the table that is out 461 sample respondent of the study, 62.46 percent of respondent who are give more importance for emotional stability during the time of trading were agreed that success of intra-day trading is best for taking return. The cross table also indicate that 50 percent of investors who are not consider their emotional stability during the trading were not agreed that the intra-day trading is the best option for taking return. It is also clear from the above table that is

among the total column and row percentage, 39.70 percent of investors who highly consider their emotional stability are agreed that the intra-day trading is best for taking return.

**Table – 5:** *Result of Chi-Square Test*

Test	ChiSquare	Prob>ChiSq	LogLike	RSquare (U)
Likelihood Ratio	6.772	0.0093*	3.3861286	0.0108
Pearson	6.799	0.0091*	Df 1, N 461	

A chi-square test is used to examine the association between two categorical variables namely; Intra-Day Trading is the Best Trading option to take return (with a classification of Yes or No) By the two level classification of investors highly considered their emotional stability for picking stock in intra-day trading (yes/no). Looking at row labeled Chi-Square, it is found that the chi-square test statistic value to be 6.772 and the associated p-value is 0.0093. it is concluded that since the alpha level is below 0.05, then it would conclude that there is a statistically significant difference between the respondent who opinion that intra-day trading is best/not best with related to their agreement over their emotional stability for doing intra-day trading (Yes/No).

**Table – 6:** *Result of Correspondence Analysis*

Emotional Stability is important for Intra-Day Trading			c1
Yes			-0.0920
No			0.1604
Intra-Day Trading is the Best Trading Option to Take Return			c1
Yes			-0.1035
No			0.1425
Singular Value	Inertia	Portion	Cumulative
0.12144	0.01475	1.0000	1.0000

The result of correspondence analysis reflects that dependency of the two different opinions of investors over the success of intra-day trading of their emotional stability to do a trading. It is clear that the investors who are not agreed the importance of emotional stability for doing intra-day trading has positive indexes and more or less this would reflect the investor's dissatisfaction over their success in intra-day trading. However, the investors who are not give importance for their emotional stability in trading were not dissatisfied over the return in intra-day trading.

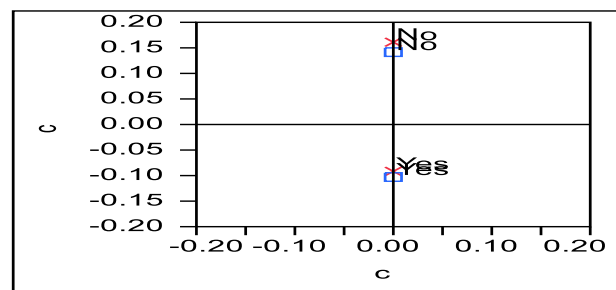
**Table – 7:** *Fisher's Exact Test for Intra-Day Trading is the Best Trading Option to Take Return by Emotional Stability is important for Intra-Day Trading*

Fisher's Exact Test	Prob	Alternative Hypothesis
Left	0.9965	Prob (Intra Day Trading is the Best Trading option to take return=No) is greater for Emotional Stability is important for Intra-day Trading=Yes than No
Right	0.0061*	Prob (Intra Day Trading is the Best Trading option to take return=No) is greater for Emotional Stability is important for Intra-day Trading=No than Yes

<b>2-Tail</b>	0.0108*	Prob (Intra Day Trading is the Best Trading option to take return=No) is different across Emotional Stability is important for Intra-day Trading
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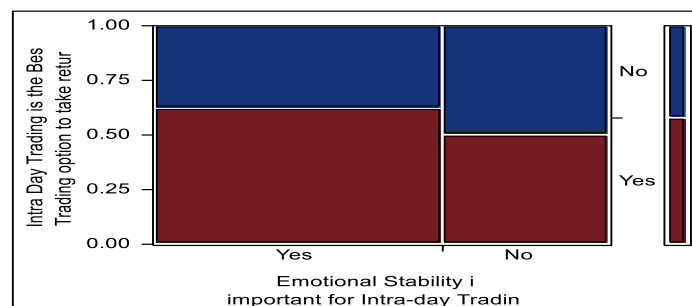
The 2x2 table compare the two different view over the investors opinion on the success of intra-day trading (best or not best trading) and their consideration of their emotional stability for doing intra-day trading (yes/No). The correspondence analysis clearly indicates that the investor's disagreement over their emotional stability has positive sign. However, the in-depth analysis over this two variable result through fisher's exact has summarized above. Since the significant value has less than 0.05 ( $p=0.0108$ ), it is concluded that Probability for Intra Day Trading is the not Best Trading option to take return is different across the Emotional Stability is important for Intra-Day Trading.

**Diagram – 3:** Correspondence Analysis for Intra-Day Trading is the Best Trading Option to Take Return by Emotional Stability is Important for Intra-Day Trading



- ✖ Emotional Stability is important for Intra-Day Trading
- ☐ Intra-Day Trading is the Best Trading option to take return

**Diagram – 4:** Mosaic Plot for Intra-Day Trading is the Best Trading Option to Take Return by Emotional Stability is Important for Intra-Day Trading



### 2.1.3 Contingency Analysis of Intra-Day Trading is the Best Trading Option to Take Return by Trade with Few Scripts is Always Best for Intra-Day Trading

**Table – 8:** Contingency Table for of Intra-Day Trading is the Best Trading Option to Take Return by Trade with Few Scripts is Always Best for Intra-Day Trading

Count, Total %, Col %, Row %	Yes	No	Total
<b>Yes</b>	104.00	130.00	234.00
	22.56	28.20	50.76
	38.95	67.01	
	44.44	<b>55.56</b>	

<b>No</b>	163.00 <b>35.36</b> 61.05 <b>71.81</b>	64.00 13.88 32.99 28.19	227.00 49.24
<b>Total</b>	267.00 57.92	194.00 42.08	461.00

The cross table shows the investors opinion over their intra-day trading is their best option for taking return by the variable of investors Trade with few scripts is always best for Intra-day trading (Yes/No). It is clear from the table that is out 461 sample respondent of the study, 71.81 percent of respondent who are trade more number of stock at a time of intra-day trading were agreed that success of intra-day trading is best for taking return. The cross table also indicate that 55.56 percent of investors who are trade very few stock at a time of trading were not agreed that the intra-day trading is the best option for taking return. It is also clear from the above table that is among the total column at highest level, 35.36 percent of investors who are trade more number of stock at a time of trading were agreed that the intra-day trading is best for taking return.

**Table – 9: Result of Chi-Square Test**

Test	ChiSquare	Prob>ChiSq	LogLike	RSquare (U)
Likelihood Ratio	35.948	<.0001*	17.973760	0.0573
Pearson	35.393	<.0001*	Df 1, N 461	

A chi-square test is used to examine the association between two categorical variables namely; Intra-Day Trading is the Best Trading option to take return (with a classification of Yes or No) By the two level classification of investors option over the number of stock they trade in the trading hours. (Few stocks/more number of stocks). Looking at row labeled Chi-Square, it is found that the chi-square test statistic value to be 35.948 and the associated p-value is 0.0001. it is concluded that since the alpha level is below 0.0001, then it would conclude that there is a statistically significant difference between the respondent who opinion that intra-day trading is best/not best with related to their number of stocks they can trade at time of intra-day trading (Few stocks/more number of stocks).

**Table – 10: Result of Correspondence Analysis**

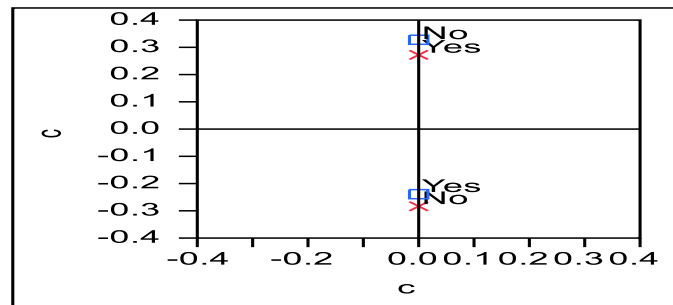
<b>Trade only few scripts is always best for Intra-day trading</b>			<b>c1</b>
Yes			0.2729
No			-0.2813
<b>Intra Day Trading is the Best Trading option to take return</b>			<b>c1</b>
Yes			-0.2362
No			0.3251
<b>Singular Value</b>	<b>Inertia</b>	<b>Portion</b>	<b>Cumulative</b>
0.27708	0.07677	1.0000	1.0000



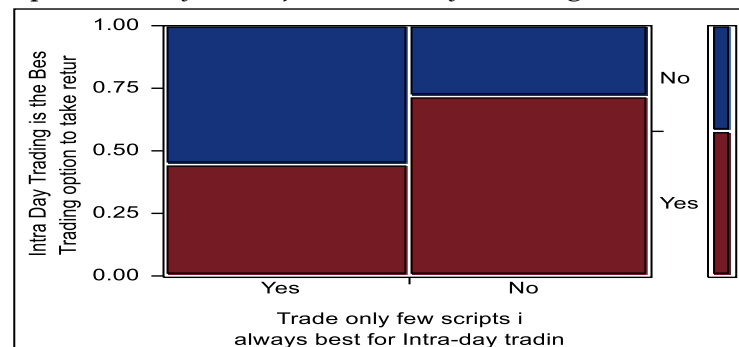
**Table – 11:** *Fisher's Exact Test for Intra-Day Trading is the Best Trading Option to Take Return by Trade with Few Scripts is Always Best for Intra-Day Trading*

Fisher's Exact Test	Prob	Alternative Hypothesis
<b>Left</b>	<.0001*	Prob (Intra Day Trading is the Best Trading option to take return=No) is greater for Trade only few scripts is always best for Intra-day trading=Yes than No
<b>Right</b>	1.0000	Prob (Intra Day Trading is the Best Trading option to take return=No) is greater for Trade only few scripts is always best for Intra-day trading=No than Yes
<b>2-Tail</b>	<.0001*	Prob (Intra Day Trading is the Best Trading option to take return=No) is different across Trade only few scripts is always best for Intra-day trading

The 2x2 table compare the two different views over the investor's opinion on the success of intra-day trading (best or not best trading) and their consideration of picking number of stock or very few stocks in intra-day trading (yes/No). The correspondence analysis clearly indicates that the investor's who are trading very few stock has positive sign. However, the in-depth analysis over the two variable results through fisher's exact has summarized above. Since the significant value has less than 0.0001 ( $p=0.0001$ ), it is concluded that Probability for Intra Day Trading is the not Best Trading option to take return is different across Trade only few scripts is always best for Intra-day trading.

**Diagram – 5:** *Correspondence Analysis for Intra-Day Trading is the Best Trading Option to Take Return by Trade with Few Scripts is Always Best for Intra-Day Trading*

- ✕ Trade only few scripts is always best for Intra-day trading
- ◻ Intra-Day Trading is the Best Trading option to take return

**Diagram – 6:** *Mosaic Plot Intra-Day Trading is the Best Trading Option to Take Return by Trade with Few Scripts is Always Best for Intra-Day Trading*



## CONCLUSION

The ability of the investors to understand the internal environment of any industry or firm, its fundamentals and the ability to determine the direction of the trend are a few of the key traits basically needed for any traders, but not one of these is as important as the ability to contain emotions and maintain discipline. The findings clearly indicate that the investor's preference in the day trading with very few shares at a time is best option for taking expected return and at the same time it will help to reduce or minimize the risk. It is also found that the investor's emotional stability is important for them to handle the market environment smoothly and take wise decision at the time of trading. A successful trader is emotionally very stable. He/she does not get disappointed over losses and does not get over excited by profits. It is the key for success anywhere and more with intra-day trading.

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